

## *Merry Christmas!*

Our offices will be closed from noon, Thursday, Dec. 24, through Jan. 3 for the holidays. We will open again on Monday, Jan. 4.

The staff of J&J Business Service wish you and your family a most joyful holiday and a bright new year.

## **Minimum wage rises**

Arizona's minimum wage will increase 15¢ to \$12.15 per hour for 2021. Beginning this year, the minimum wage will be adjusted annually to the cost of living index.

For the past four years, Proposition 206 passed by voters in 2016 raised the minimum wage 50¢ to \$2 per year to reach the \$12 level for 2020. Arizona will have the ninth highest minimum wage nationwide in 2021, tied with Maine.

Flagstaff will raise its minimum wage to \$15 from \$13 this year.

For any employee who regularly receives tips or gratuities, an employer may pay wages up to \$3.00 per hour less than the minimum wage, as long as the employee receives at least the minimum wage for all hours worked each pay period, when tips are added to wages paid.

For more information, visit the state's minimum wage website at <https://www.azica.gov/labor-minimum-wage-main-page>.

## **401(k) limits stay the same**

The maximum contribution to a 401(k) retirement plan will stay at \$19,500 next year. The catch-up contribution limit for employees aged 50 and over who participate in these plans will also stay at \$6,500.

The maximum contribution to an IRA (either traditional or Roth) is unchanged, at \$6,000 plus \$1,000 catchup allowance for taxpayers age 50 and older.

The maximum SEP or solo 401(k) contribution will rise to \$58,000 in 2021 from \$57,000 this year.

## **W-2's and 1099's**

It's not too early to start gathering W-2 and 1099 information.

Early in January, our office will mail 1099 request forms. The 1099 forms are required for payments of \$600 or more to non-incorporated entities (including LLC's) for rent, interest paid or services rendered.

If you are missing any payee information, give a W-9 form to the payee to complete. You can download a W-9 form at [www.irs.gov/file\\_source/pub/irs-pdf/fw9.pdf](http://www.irs.gov/file_source/pub/irs-pdf/fw9.pdf) or call our office and we will send one to you.

Since January also is time to prepare year-end payroll forms, please review your payroll journal to make sure you have accurate (and current) names, addresses and Social Security numbers for all of your workers.

Just a reminder that there are penalties for not filing on time as well as inaccurate information. We have seen several employers hit with penalties this year. W-2's and 1099's forms need to be out to workers by Jan. 31.

Two kinds of 1099 forms will be issued for 2020. Non-Employee Compensation (independent contractors) will be reported on a new Form 1099-NEC, which is due by Jan. 31. All other traditional Form 1099-MISC income types, such as rent, other income, sales for resale over \$5,000 and payments to attorneys, will continue to be reported on the Form 1099-MISC.

